

1 MARK S. ADAMS, SB#68300  
2 ANDREW F. ADAMS, SB#275109  
3 California Receivership Group  
2716 Ocean Park Boulevard, Suite 3010  
4 Santa Monica, CA 90405  
Tel.: (310) 471-8181  
5 Fax: (310) 471-8180  
madams@calreceivers.com  
6 Court-Appointed Receiver

7 **IN THE UNITED STATES BANKRUPTCY COURT**  
8 **NORTHERN DISTRICT OF CALIFORNIA**  
9 **SANTA ROSA DIVISION**

10 IN RE:

11  
12 FLOYD E. SQUIRES, III and  
13 BETTY J. SQUIRES,  
14 Debtors.

Case No: 17-10828 WJL  
Chapter 11

**MARK S. ADAMS AND CALIFORNIA  
RECEIVERSHIP GROUP'S RESPONSE TO  
DEBTORS' CLAIM OBJECTION;  
DECLARATION OF MARK ADAMS**

Hearing:  
Date: June 27, 2018  
Time: 10:30 a.m.  
Courtroom 220, Oakland  
Hon. William J. Lafferty

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## **TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
I. INTRODUCTION.....	1
II. STATEMENT OF FACTS AND HISTORY OF CRG'S INTEREST.....	2
III. THE DEED OF TRUST AUTHORIZES COLLECTION OF ALL FEES.....	4
IV. CALIFORNIA LAW REQUIRES PAYMENT OF THE FEES.....	7
V. 11 U.S.C. § 506(b) .....	9
VI. THE FEES ARE PROPER, REASONABLE, AND NECESSARY .....	11
A. POST-FEE ORDER STATE COURT FEES.....	12
B. POST-FEE ORDER BANKRUPTCY COURT FEES.....	14
C. HOURLY RATES ARE REASONABLE.....	15
D. TOTAL AMOUNTS ARE REASONABLE.....	17
E. PUBLIC POLICY REQUIRES THAT DEBTORS PAY THE FULL AMOUNT.....	19
VII. CONCLUSION .....	19

## TABLE OF AUTHORITIES

### CASES

<u>TITLE</u>	<u>PAGE</u>
<u>Andrade v. Andrade</u> (1932) 216 Cal. 108, 110-11.....	8
<u>Baldwin v. Baldwin</u> (1947) 82 Cal. App. 2d 851, 854, 856.....	8
<u>Camacho v. Bridgeport Financial, Inc.</u> , 523 F.3d 973(9 <sup>th</sup> Cir. 2008)....	16
<u>Caudle v. Bristow Optical Co., Inc.</u> , 224 F.3d 1014, 1028 (9 <sup>th</sup> Cir.2000), at 982.....	16
<u>City of Chula Vista v. Gutierrez</u> (2012) 207 Cal.App.4th 681, 685.....	7
<u>City of Eureka v. Floyd Squires et al.</u> , Case# DR110040.....	2
<u>City of Riverside v. Horspool</u> (2014) 223 Cal.App.4th 670, 685.....	8
<u>City of Santa Monica v. Gonzalez</u> (2008) 43 Cal.4th 905, 934.....	8
<u>Ferland v. Conrad Credit Corp.</u> , 244 F.3d 1145 (9 <sup>th</sup> Cir.2001), at 978.	16
<u>Floyd E. Squires, et al. v. Mark Adams, et al.</u> , Case# DR110803.....	2
<u>In re Dalessio</u> , 74 B.R. 721, 724 (9 <sup>th</sup> Cir. BAP 1987).....	10
<u>In re Elmwood Farm, Inc.</u> , 19 B.R. 338, 341-42 (Bankr. S.D.N.Y. 1982).....	10
<u>In re Merkle</u> , 575 B.R. 704, 710–11 (Bankr. W.D. Tex. 2017).....	10
<u>In re O’Bannon Plaza LLC</u> , 523 B.R. 720, 727 (D. Nev. 2014).....	10, 11
<u>In re Parreira</u> , 464 B.R. 410, 415–16 (Bankr. E.D. Cal. 2012).....	10
<u>Southern California Sunbelt Developers, Inc. v. Banyan Limited Partnership</u> (2017) 8 Cal.App.5th 734, 737, 910, 927.....	8, 9
<u>People v. Riverside Univ.</u> (1973) 35 Cal.App.3d 572, 587.....	8
<u>Macmorris Sales Corp. v. Kozak</u> (1967) 249 Cal.App.2d 998, 1005.....	8
<u>McLane v. Placerville &amp; S.V.R. Co.</u> (1885) 66 Cal. 606, 623.....	8
<u>Melikian v. Aquila, Ltd.</u> (1998) 63 Cal.App.4th 1364, 1368.....	8
<u>Takeba v. Superior Court</u> (1919) 43 Cal.App. 469, 475.....	7

Venza v. Venza (1951) 101 Cal.App.2d 678, 680..... 8

## STATUTES

<u>TITLE</u>	<u>PAGE</u>
6 Witkin, Cal. Proc. 5th (2008) Prov. Rem, § 459, p. 389.....	8
11 U.S.C. §506(b).....	9, 10
55 California Jurisprudence 3d., Receivers §82, §84.....	8
California Rules of Court Rule 3.1179.....	7
Clark on Receivers (3rd ed. 1959), § 637.1, subds. (a)-(r), pp. 1055-68.....	9
Miller and Starr, 12 Cal. Real Est. § 41:2, 22 (4th ed.).....	8

**EXHIBIT LIST**

Exhibit 1	Debtors' May 4, 2018 Objection to Claim
Exhibit 2	March 10, 2011 Appointment Order
Exhibit 3	October 24, 2011 Appointment Order
Exhibit 4	February 21, 2017 Ruling and Order Re Request for Interim Fees
Exhibit 5	October 30, 2017 Notice of Trustee's Sale
Exhibit 6	February 27, 2017 Receiver's Certificate No. 2
Exhibit 7	February 27, 2017 Amendment to Deed of Trust
Exhibit 8	October 17, 1961 Fictitious Deed of Trust
Exhibit 9	January 21, 2014 Receiver's Certificate No. 1
Exhibit 10	January 21, 2014 Deed of Trust
Exhibit 11	August 10, 2016 Motion for Interim Fee Order
Exhibit 12	September 6, 2016 Opposition to Motion for Interim Fee Order
Exhibit 13	September 9, 2016 Reply to Opposition to Motion for Interim Fee Order
Exhibit 14	September 2016 to December 2016 Invoices
Exhibit 15	January 2017 to December 2017 Invoices
Exhibit 16	January 2018 to May 8, 2018 Invoices
Exhibit 17	Excel Spreadsheet Showing Fees by Employee by Month
Exhibit 18	Excel Spreadsheet Showing Fees by Employee by Year
Exhibit 19	CRG Billing Rates

1 **I. INTRODUCTION**

2 On March 5, 2018 the Receiver filed Claim No. 57 (Dkt. 274) requesting that Debtors  
3 pay the Receiver a total debt of \$319,248, of which \$178,248<sup>1</sup> was secured and \$141,000 was  
4 unsecured. On May 4, 2018, Debtors filed an Objection to Claim No. 57 (Dkt. 274)  
5 (“Objection”) (attached as **Exhibit 1**), objecting only to the then \$141,000 in unsecured fees and  
6 costs. The Objection claims that the as-of-yet unsecured fees and costs are not properly  
7 documented or detailed, and as discussed, this Response is to provide documentation for the  
8 unsecured fees and costs, and the legal authority calling for them to be paid.<sup>2</sup> The secured  
9 amount is now over \$187,801 due to accrued interest<sup>3</sup>, and the unsecured amount is now  
10 \$162,169 due to the additional fees and costs that have been incurred since the Receiver’s Claim.  
11 Thus, the total amount of the claim is now nearly \$350,000. These amounts are fully explained  
12 and summarized below and in the Declaration of Mark Adams.

13 Usually, these receivership fees and costs would be reviewed and approved by the  
14 appointing state court, but because of the bifurcated nature of this matter and the concurrent  
15 jurisdiction of both courts, the amount owed to Adams as the former receiver is submitted to the  
16 present Court to be ruled on under this Court’s jurisdiction. As laid out below, general principles  
17 of equity, as well as both state and federal law call for the recovery of the Receiver’s costs as  
18 well as the costs associated with the collection efforts, and the Receiver respectfully requests that  
19 this Court follow Judge Reinholtsen’s previous directives, and ensure that Adams and CRG are  
20 paid for the time this case required.

21  
22 **II. STATEMENT OF FACTS AND HISTORY OF CRG’S INTEREST**

23 The fees and costs at issue were first incurred after a March 10, 2011 Appointment Order  
24 issued by Judge Dale Reinholtsen in the Humboldt Superior Court, *City of Eureka v. Floyd*

25  
26 <sup>1</sup> This was the \$158,107.36 total for the February 21, 2017 Order, along with the interests as of the date of the Proof  
of Claim.

27 <sup>2</sup> Demands for these billing records were served three days after the Objection, and so the relevant information will  
be provided to Debtor in response to those demands as well.

<sup>3</sup> The payoff for this depends on whether the February 27, 2017 Receiver’s Certificate #2 is paid – which is drawing  
15% interest by its terms, or whether the Judgment itself is paid, which is drawing the 10% statutory interest.

1 *Squires et al.*, Case #DR110040 (attached as **Exhibit 2**), appointing Mark Adams of California  
2 Receivership Group (“CRG”) as Receiver for 26 properties owned by Debtors Floyd and Betty  
3 Squires (“Debtors”) due to numerous health and safety code violations that were so extreme as to  
4 necessitate the appointment of a receiver. That Order was stayed on appeal, and then an October  
5 24, 2011 more limited Appointment Order was issued (attached as **Exhibit 3**), and that too was  
6 stayed on appeal. On October 19, 2011, Debtors then served and filed a Summons and Complaint  
7 in the Humboldt Superior Court for various tort claims, including trespass and invasion of  
8 privacy, naming Mark Adams, Andrew Adams and California Receivership Group, LLC  
9 (“Collectively Adams”) as defendants. The matter *Floyd E. Squires, et al. v. Mark Adams, et al.*,  
10 Case# DR110803 went to jury trial on July 18, 2016, and on the 22nd, the jury found for Adams  
11 and CRG on all claims.

12 On August 10, 2016, Adams filed a Motion for Interim Fee Order in the Receivership  
13 case #DR110040, requesting \$223,715.39 in fees and costs incurred both from Adams’s duties as  
14 receiver, but also for legal fees incurred defending against the rejected claims that went to trial,  
15 specifically for fees and costs through July 31, 2016. The hearing was held on September 9,  
16 2016, and on February 21, 2017, the Superior Court issued an Order authorizing \$158,107.36 in  
17 fees and costs (attached as **Exhibit 4**). That amount was the secured debt referenced in Claim  
18 #57. Debtor has made no effort to pay those amounts, and has not responded to any of the  
19 requests for payment, or even any of the Abstracts of Judgment, or the Receiver’s Certificate  
20 recorded per the terms of that Order. On July 28, 2017, Adams filed a Motion requesting the  
21 appointment of a receiver to collect on that debt, which was denied without prejudice by the  
22 Superior Court on November 15, 2017.

23 A foreclosure sale on the Receiver’s Certificate and its Deed of Trust had been set for  
24 November 27, 2017 (attached as **Exhibit 5**). Yet, the Bankruptcy Petition was filed in this Court  
25 on November 8, 2017, starting the current matter, and ultimately stalling the foreclosure and  
26 other collection efforts. Adams and CRG’s participation in this matter has been limited to  
27

1 defending its claim and interest in the Property, by supporting the request to appoint a Chapter  
2 11 Trustee, and then the currently-in-place Examiner.

3 As noted previously, the State Court's February 21, 2017 Order approved CRG's interim  
4 fees through July 31, 2016, which is the already-secured portion. The Receiver's Claim and this  
5 present Response requests both that secured amount as well as fees that were incurred after that  
6 period, from August 1, 2016 through May 18, 2018, which have not yet been reduced to a  
7 secured interest in the Properties. Attached as exhibits to the accompanying Declaration of Mark  
8 Adams are the invoices for all CRG time from that subsequent period. These are the exact same  
9 invoices that were submitted to Judge Reinholtsen and approved for the most part for payment in  
10 February 2017. They track time to the 1/10 of an hour. Every minute of billed time can be  
11 tracked through those invoices, which will be summarized and totaled here.

12 Also attached as **Exhibit 17 and 18** are Excel spreadsheets showing the total fees of each  
13 CRG employee, broken down by month and year. These are provided for review along with the  
14 below analysis and summarization. The total amount owed for all billed time, costs, advances,  
15 etc. from August 1, 2016 – May 18, 2018 is \$162,169. The time for all state court work  
16 (September 2016 – October 2017) is \$63,738.50. The time for all work done in this bankruptcy  
17 proceeding (November 2017 – May 2018) is \$98,430.50.<sup>4</sup> The breakdown of these pre-Petition  
18 fees and post-Petition fees is relatively clean and simple due to the timing, and the fact that  
19 neither action was active during at the same time. Those amounts and their explanations are  
20 below in Section V.

### 21 22 **III. THE DEED OF TRUST AUTHORIZES COLLECTION OF ALL FEES**

23 As a preliminary matter, the February 27, 2017 Receiver's Certificate ("Certificate")  
24 (attached as **Exhibit 6**) authorized by the February 21, 2017 fee Order is secured by a February  
25 27, 2017 Amendment to Deed of Trust ("DOT") (attached as **Exhibit 7**) that itself incorporates  
26 the approval of the fees and costs. That DOT incorporates by reference the provisions (1) to (14),  
27

<sup>4</sup> Debtors filed their bankruptcy petition on November 8, 2017. For ease of review, and because the amount billed in the first week of November were de minimis, the entire month of November is attributed to the bankruptcy action.



1 inclusive, of the Fictitious Deed of Trust ("FDOT") recorded in Humboldt County on October  
2 23, 1961, in book 657 on page 527-528 (attached as **Exhibit 8**).<sup>5</sup> Provisions (3) and (10)  
3 specifically cover attorney's fees. This is the standard recovery provision for any fees and costs  
4 that have to be spent to protect the Beneficiary's interest, made relevant particularly in this  
5 matter as to the smaller portion of fees incurred post-Petition in defending the very existence of  
6 the Certificate. As this Court will remember, CRG has had to repeatedly correct misstatements  
7 made here challenging the validity or finality of its DOT and total amount owed. CRG is  
8 defending the existence of the DOT itself in this matter.

9 Provision (3) provides:

10 To Protect the Security of This Deed of Trust, Trustor Agrees: (3) To appear in  
11 and defend any action or proceeding purporting to affect the security hereof or the  
12 rights or powers of Beneficiary or Trustee; and to pay all costs and expenses,  
13 including cost of evidence of title and attorney's fees in a reasonable sum, in any  
such action or proceeding in which Beneficiary or Trustee may appear, and in any  
suit brought by Beneficiary to foreclose this Deed of Trust.

14 Here, Adams has been required to appear in several actions to protect the security of this interest.  
15 Although the DOT is secured by 26 properties, which would seem to indicate that the properties  
16 adequately secured the interest, the Debtor's filings indicated that their liabilities equaled their  
17 assets, jeopardizing the security. For instance, in Debtor's first Monthly Operating Report for the  
18 month ending November 30, 2017 (Docket No. 80, Jan. 18, 2018), Debtors claimed to have  
19 \$16,695,000.00 in total assets and the exact same amount of \$16,695,000.00 in total liabilities.  
20 Thus, while Adams has a priority Certificate above all other non-tax debt, the repeated  
21 challenges to that Certificate and the apparent lack of equity in the estate required Adams to  
22 appear and protect the security of that Certificate and DOT.

23 And most important to the review of this authority, Debtors routinely disputed the  
24 validity and the existence of CRG's interest. In Debtor's Declaration in Support of the Cash  
25 Collateral Motion (Docket No. 144, March 5, 2018), Debtors attempted to frame CRG's  
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<sup>5</sup> Copies of the Amendment to DOT and the FDOT are attached as Exhibits 6 and 7, to the Declaration of Mark Adams.

Judgment and Certificate on the 26 properties as somehow still in dispute, or not yet final. In doing this, the Declaration contained misstatements and outright lies, including:

- The properties are “purported to be encumbered” by a deed of trust. Paragraph 4, line 6.
- “At no time did the Court authorize Mr. Adams or the California Receivership Group to encumber the properties.” Paragraph 5, lines 19-20.
- The “purportedly assigned compensation amount” and the “purported beneficiaries” Paragraph 7, lines 3-4
- “Mr. Adams contends” that the Certificate is senior to the Deeds of Trust, “however, there is no order of subordination and no recorded subordination....” Paragraph 8, lines 10-14

These misrepresentations had to be raised for review and are raised again now. And that was not the only time that they tried to sneak in language that would attempt to invalidate the debt. As far back as the November 30, 2017, in Docket No. 22, Debtor Floyd Squires states (under penalty of perjury):

- That the receivership properties “are purported to be encumbered” by CRG. Paragraph 4, line 16
- “I did not authorize the execution of the said Deed of Trust and find no authority of the Court given to Mr. Adams to execute said Deed of Trust.” Paragraph 4, lines 21-23
- “At no time did the Court authorize Mr. Adams or the California Receivership Group to encumber the properties.” Paragraph 5, lines 4-5
- The beneficiaries of the Certificate and DOT became “purported beneficiaries” and the total owed was the “purportedly assigned compensation amount.” Paragraph 7, lines 16-17

The claim that the State Court did not authorize the Certificate encumbering the Property is a bold-faced lie, and these statements amount to an underhanded attempt to delegitimize the State Court’s authority and trick the parties in this matter. The February 21, 2017 Order does just that on page 4 of the Order, authorizing a priority Receiver’s Certificate. **Exhibit 4**. Yet Debtor tells this Court multiple times the exact opposite. It is not a simple mistake, or something he just forgot – this is a lie meant to deceive. This has forced Adams to make great efforts to defend the hard-fought fee award authorized by the State Court, including Adams’ December 7, 2017 Opposition to the Cash Collateral Motion, Docket No. 34. Put simply, without Adams’ participation and answering these misrepresentations, Debtors may have gotten away with

1 simply ignoring the Receiver's interest. It is hard to imagine a role more basic and central to a  
2 deed of trust than defending its very existence in this Court. There is no more a threat to the  
3 security of the DOT than the Property owner perjuring himself before this Court to try and  
4 negate the DOT.

5 Beyond the existential threat that Debtors posed, due to Debtors' assertions that the  
6 liabilities equaled the assets and Debtors' assertions that the security interest was not valid, it  
7 was necessary for CRG to participate throughout this bankruptcy process to protect its security  
8 interest, including both of CRG's Oppositions to Debtors' Cash Collateral Motions (Docket No.  
9 34, December 7, 2017; and Docket No. 147, March 7, 2018), CRG's Opposition to Motion for  
10 Order Excusing Turnover by Custodian (Docket No. 51, December 20, 2017), and CRG's  
11 Opposition to Employ Special Counsel Bradford C. Floyd (Docket No. 85, January 24, 2018),  
12 and CRG's letter to the UST (February 8, 2018), informing them of CRG's concerns of Debtor's  
13 unreasonable spending and inconsistent financial reporting, among others.

14 Provision (10) of the FDOT provides "To Protect the Security of This Deed of Trust,  
15 Trustor Agrees:

16 (10) That as additional security, Trustor hereby gives to and confers upon  
17 Beneficiary the right, power and authority, during the continuance of these Trusts,  
18 to collect the rents, issues and profits of said property, reserving unto Trustor the  
19 right, prior to any default by Trustor in payment of any indebtedness secured  
20 hereby or in performance of any agreement hereunder, to collect and retain such  
21 rents, issues and profits as they become due and payable. Upon any such default,  
22 Beneficiary may at any time without notice, either in person, by agent, or by a  
23 receiver to be appointed by a court, and without regard to the adequacy of any  
24 security for the indebtedness hereby secured, enter upon and take possession of  
25 said property or any part thereof, **in his own name sue** for or otherwise collect  
26 such rents, issues and profits, including those past due and unpaid, and apply the  
27 same, less costs and expenses of operation and collection, **including reasonable  
attorney's fees**, upon any indebtedness secured hereby, and in such order as  
Beneficiary may determine. The entering upon and taking possession of said  
property, the collection of such rents, issues and profits and the application  
thereof as aforesaid, shall not cure or waive any default or notice of default  
hereunder or invalidate any act done pursuant to such notice. (emphasis added.)

1 While CRG did not take possession of the 26 properties and collect rents and profits, as it could  
2 have under the FDOT, this provision, combined with provision (3), makes it clear that reasonable  
3 attorney's fees are allowed under the FDOT in any action required to protect its interest.

4 Debtors repeatedly challenged the very existence of the Certificate and DOT, and  
5 attempted to undermine them as "purported" or temporary. These were not inchoate judgments,  
6 nor were they easily come by in the state court. The terms were clear, but the Debtors tried to tell  
7 this Court otherwise. Debtors were threatening the security of the DOT and Certificate, and so all  
8 fees incurred to protect Adams' interest are owed under the FDOT.

#### 10 **IV. CALIFORNIA LAW REQUIRES PAYMENT OF THE FEES**

11 In addition to the authority in the DOT requiring the payment of the fees spent in  
12 defending the existence of and collecting on the order and Certificate, California law calls for  
13 paying the fees incurred in collection. This is the legal basis upon which the State Court had  
14 twice previously authorized the payment of Adams' fees. A receiver is an independent third  
15 party, a "hand" or "agent" of the court that acts only upon the direction and authority of the  
16 appointing court. Takeba v. Superior Court (1919) 43 Cal.App. 469, 475; California Rules of  
17 Court, rule 3.1179. And the default rule for all Receiver's fees and costs (even those incurred in  
18 defending actions taken, or even when those actions might not have directly benefitted the estate)  
19 is that the receivership property pays. That is why Judge Reinholtsen approved the interim fee  
20 orders, and authorized a priority Certificate to be funded.

21 California law is clear that a receiver like Adams is to be paid for work in the state court  
22 and in bankruptcy court. A receiver is entitled to payment of his own fees and costs, and the fees  
23 of all agents in his employ. City of Chula Vista v. Gutierrez (2012) 207 Cal.App.4th 681, 685,  
24 citing Venza v. Venza (1951) 101 Cal.App.2d 678, 680.<sup>6</sup> The amount of that compensation is  
25 generally (though not always) left up to the appointing Court because the appointing court  
26 obviously knows the need for the appointment and is familiar with the day-to-day activities

27 <sup>6</sup> See also City of Santa Monica v. Gonzalez (2008) 43 Cal.4th 905, 934, People v. Riverside Univ. (1973) 35  
Cal.App.3d 572, 587, Macmorris Sales Corp. v. Kozak (1967) 249 Cal.App.2d 998, 1005, Baldwin v. Baldwin  
(1947) 82 Cal.App.2d 851, 856.

1 therein. Id. 680-81. This concept was affirmed as recently as 2014 in City of Riverside v.  
2 Horspool (2014) 223 Cal.App.4th 670, 685 and 2017 in Southern California Sunbelt Developers,  
3 Inc. v. Banyan Limited Partnership (2017) 8 Cal.App.5th 910, 927. Commentators are  
4 unanimous that when a neutral third party is appointed for real property, that the expenses  
5 incurred in the furtherance of the appointment order must be recompensed.<sup>7</sup>

6 This goes for costs of defending the actions of a receiver as well. 55 California  
7 Jurisprudence 3d., Receivers §84. See Melikian v. Aquila, Ltd. (1998) 63 Cal.App.4th 1364,  
8 1368 (receiver recovering litigation costs of defending receivership actions); Baldwin v. Baldwin  
9 (1947) 82 Cal. App. 2d 851, 854; Andrade v. Andrade (1932) 216 Cal. 108, 110-11 (property  
10 pays its own costs of rehabilitation). “That he should be allowed costs of litigation, is equally  
11 clear. Expenses in taking care of, protecting, and repairing the property in the receiver's charge,  
12 should also be allowed. This is so well established by decided cases, that we consider it only  
13 necessary to cite some of them.” McLane v. Placerville & S.V.R. Co. (1885) 66 Cal. 606, 623  
14 (citations omitted).<sup>8</sup>

15 Southern California Sunbelt Developers, Inc. v. Banyan Limited Partnership (2017) 8  
16 Cal.App.5th 910, 927 summed it up as “[t]here are many factors a trial court should consider  
17 when determining whether the obligation to pay for the receivership should be the estate or be  
18 shifted to one or more of the parties.” There, the court of appeal was clear that the receiver’s fees  
19 are to be set at discharge, but can be apportioned amongst the parties as needed at a later date. Id.  
20 at 734, 737. That case, like the others before it, started with the premise that receivership fees  
21 and costs are to be paid – the main question for the reviewing courts is who is to pay them.  
22 Banyan Limited made it clear that the Court can decide when best to apportion or shift liability  
23 for the receiver’s fees and costs, but that those fees and costs have to be paid.

24  
25  
26 <sup>7</sup> Miller & Starr, 12 Cal. Real Est. § 41:22 (4th ed.); 55 Cal. Jur. 3d Receivers § 82; 6 Witkin, Cal. Proc. 5th (2008)  
Prov. Rem, § 459, p. 389.

27 <sup>8</sup> See also People v. Riverside University (1973) 35 Cal.App.3d 572, 587 where the receivership fees, as well as the  
cost of defending against an “unfounded” challenge were to be paid by the receivership property itself; Macmorris  
Sales v. Kozak (1967) 249 Cal.App.2d 998, 1005.

1 And while there are 2014 and 2017 reaffirmations of the concept that the receivership  
2 estate pays the receiver and receiver's legal fees (or the owner directly if the estate is  
3 insufficient), that is not a new concept. "The expenses of the receivership and the receiver's fees  
4 and those of his counsel in ordinary cases must come out of the property or funds placed in the  
5 custody of the receiver according to a rule analogous to the rule providing that a trustee's  
6 expenses and fees for services should come out of the property in the hands of the trustee." 2  
7 Clark on Receivers (3rd ed. 1959), § 637.1, subds. (a)-(r), pp. 1055-68.

8 In this matter, Judge Reinholtsen already approved the same exact type of fees and costs  
9 put to this Court now based on the California case authority cited above. Using the exact same  
10 type of invoices, and the exact legal argument as above, Judge Reinholtsen granted the fees and  
11 costs (except pre-appointment fees) and ordered the Debtors to pay that. These were not just  
12 receivership fees, these were spent in defending against ridiculous tort claims, and the years of  
13 discovery that Debtors put Adams and CRG through. Those defense costs had to be paid, just  
14 like the cost of defending and enforcing that previous order has to be paid now.

15  
16 **V. 11 U.S.C. § 506(b) CALLS FOR PAYMENT OF FEES**

17 Separate from the DOT authority, and the California law cited above, 11 U.S.C. §506(b)  
18 also separately approves the payment of the fees and costs at issue. As recently as the April 25,  
19 2018 hearing, Debtor's counsel stated that there was more than enough equity in the properties  
20 that he intends to sell to pay off the claims against the estate. This indicates that CRG is an over-  
21 secured creditor and 11 U.S.C. § 506(b) governs recovery of both interest and attorney's fees for  
22 an over-secured creditor:

23 To the extent that an allowed secured claim is secured by property the value of  
24 which, after any recovery under subsection (c) of this section, is greater than the  
25 amount of such claim, there shall be allowed to the holder of such claim, interest  
26 on such claim, and any reasonable fees, costs, or charges provided for under the  
27 agreement or State statute under which such claim arose.

1 11 U.S.C. § 506(b). It is becoming clearer to the parties and to this Court (certainly to the  
2 Examiner) that the estimates of value were over-inflated, and so this case might not be one with  
3 an equity. But to take the Debtor at their word, means that Adams is an oversecured creditor.

4 There are four basic requirements for allowance of fees, costs or charges to a secured  
5 creditor: (1) the claim must be an allowed secured claim; (2) the creditor holding the claim must  
6 be over-secured; (3) the entitlement to fees [costs or charges] must be provided for under some  
7 agreement or state statute; and (4) the fees [costs or charges] sought must be reasonable. In re  
8 Merkle, 575 B.R. 704, 710–11 (Bankr. W.D. Tex. 2017).

9 Here, CRG’s claim is a secured claim based on the DOT. The extent to which it is  
10 allowed is to be determined by the court reviewing this Claim Objection, and Response. Second,  
11 CRG’s Claim is over-secured. CRG seeks \$319,248.00, and its Claim is secured by 26  
12 properties, in first position. Debtor’s counsel has indicated that there is more than \$319,248.00 in  
13 equity in the 26 properties listed in the DOT. Third, CRG is entitled to reasonable fees and costs  
14 incurred to protect its security interest, as per the DOT and the FDOT, as detailed in section II,  
15 *supra*. And fourth, the fees, costs, and charges are reasonable, as will be shown below. There is  
16 ample evidence for this Court to use its “broad discretion” in setting the fees to approve them in  
17 their entirety. In re Parreira, 464 B.R. 410, 415–16 (Bankr. E.D. Cal. 2012) (citing In re  
18 Dalessio, 74 B.R. 721, 724 (9th Cir. BAP 1987).

19 That discretion relies on the reasonableness of the Claim,<sup>9</sup> set by the Court’s evaluation  
20 of whether the fees at issue were for reasonable actions that another similarly situated creditor  
21 might have taken. In re O’Bannon Plaza LLC, 523 B.R. 720, 727 (D. Nev. 2014). “The question  
22 is whether, ‘considering all relevant factors including duplication, the creditor reasonably  
23 believed that the services employed were necessary to protect his interests in the debtor’s  
24 property.’ Id. In O’Bannon Plaza, the court noted that the creditor “incurred fees protecting its  
25 interest in the property in response to Debtor’s misleading disclosure statement, and in response  
26 to a proposed plan of reorganization that scheduled payments to [creditor] over ten years and  
27

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<sup>9</sup> See In re Elmwood Farm, Inc., 19 B.R. 338, 341–42 (Bankr. S.D.N.Y. 1982)



1 potentially created an artificially impaired class to allow for confirmation over [creditor]'s  
2 objection." Id. at 728.

3 Here, like in O'Bannon Plaza, CRG has participated in the bankruptcy solely to protect  
4 its interest, and only in the capacity to point out misleading disclosures and declarations from the  
5 Debtors. Debtors claimed that their liabilities equaled their assets, possibly rendering CRG's  
6 interests extinguished. Moreover, Debtors tried to convince this court that Adams' claim was not  
7 yet settled or somehow invalid. These issues presented an existential threat to CRG's interest,  
8 and CRG had no choice but to participate to protect its security interest. If Debtors' filed  
9 documents are to be believed, there is ample equity, meaning that Adams is oversecured and can  
10 collect on his fees and costs incurred in protecting his interest.

## 11 12 **VI. THE FEES ARE PROPER, REASONABLE, AND NECESSARY**

13 As noted previously, the Debtors' Objection is only to the unsecured fees and costs  
14 incurred after the July 31, 2016 cut-off date for the State Court's February 21, 2017 fee order.  
15 The total amount of fees, costs, advances, etc. incurred since then, from August 1, 2016 – May  
16 18, 2018, is \$162,169 (August 2016 fees were billed in September, thus they show up as  
17 September 2016 billings). The amount for all state court work (September 2016 – October 2017)  
18 is \$63,738.50. The amount for all work done in this bankruptcy proceeding (November 2017 –  
19 May 2018) is \$98,430.50. Every single invoice substantiating that amount has been provided as  
20 Exhibits to the accompanying Declaration of Mark Adams.<sup>10</sup> As explained above and in the  
21 subsections below, these fees and costs were entirely proper, reasonable, and necessary, and both  
22 law and equity require that Debtors pay the full amount.

### 23 **A. POST-FEE ORDER STATE COURT FEES**

24 All time billed starting from August 1, 2016 until the Petition was filed in this Court on  
25 November 8, 2017 is attributable to the state court action. Debtor might have had some

26  
27 <sup>10</sup> The August 10, 2016 state court fee Motion (attached as **Exhibit 11**) broke down the amounts in a similar fashion. It laid out the \$150,606.49 billed by CRG in that receivership and the defense, and the \$47,937.65 in advances. The fees and invoices for the \$35,171.25 for outside local trial counsel. The exact same information and presentation is put to this Court in this Response and Declaration.



1 preparation work for the bankruptcy, but for obvious reasons, CRG did not. So, it should be  
2 uncontroversial to acknowledge that the 14 months of billing from September 2016-October  
3 2017 are attributable entirely to the state court action. The total incurred during that period is  
4 \$63,738.50, which will be broken down and analyzed below.

5 First, this Court must remember that like everything else in this matter, collecting on  
6 Judge Reinholtsen's Order was not (and is not) easy. The Order was dated February 21, 2017 and  
7 to this very day, Debtor has never once reached out or responded to inquiries as to how it will be  
8 paid. The Order was not appealed, yet Debtor attempted to ignore it. Adams and CRG had to  
9 prepare and file an Abstract, and evaluate all options including local counsel to collect.

10 Ultimately, after the Order was not appealed, and six months had passed, Adams had to  
11 prepare and file a complex, 134-page Motion requesting the appointment of a Receiver. This  
12 proposed receiver, unlike the Receiver appointed at that time, would have financial control over  
13 the Properties and could pay off the debts with rents. This proposed replacement receiver would  
14 be more than just a monitor, or someone working at the behest of the Debtors; rather, this  
15 receiver would do the work necessary and pay for that work (along with the debts) with the  
16 rental and sale proceeds. The idea was that the replacement receiver would be similar to the  
17 Examiner here. Ultimately that request was denied without prejudice on November 14, 2017, but  
18 the same principle was ultimately reached with the current Examiner. Obviously the appointment  
19 authority and the roles are different, but the concept and the underlying reasons for the role are  
20 the same. A neutral, third party had to be appointed to wrestle control over the nuisance  
21 properties, and assess how best to proceed.

22 The \$63,738.50 incurred during that period is summarized here and detailed in the  
23 invoices attached to Adams' Declaration. The months ranged from \$185<sup>11</sup>-\$10,447<sup>12</sup>, and that  
24 variation was due to the wide range in the amount of work required in any given month. The  
25 most active months were in completing and arguing the fee motion in October 2016, and then  
26

27 <sup>11</sup> For time billed in October 2016, when the fee motion was pending with the Court and no real action was taken by CRG.

<sup>12</sup> For the September 2017 billing, referencing August's time. That was the motion to appoint a receiver to collect on the Order that the Debtor was refusing to pay.

1 again across several months in 2017, peaking at \$10,447 in September 2017. That month was  
2 when the motion to appoint a (new) receiver to collect on the judgment that Debtors refused to  
3 pay was briefed and argued. That was when the bulk of the actual enforcement work was  
4 necessary, and all of the billed time was spent with the sole purpose of collecting on the interim  
5 fee order.

6 Debtors might object to that billed time, but the simple fact that the interim fee order is  
7 now 15 months old and Debtors still have not even discussed paying it tells this Court all it needs  
8 to know. Debtors fought tooth and nail, and even now, with an appointed Examiner here, they  
9 still are demanding briefing and voluminous discovery before they will allow it to be paid.  
10 Debtors are not in possession and will not write the check to CRG, but at the same time are  
11 forcing Adams and CRG to spend dozens of hours of work just to collect. They propounded  
12 discovery, which will not be answered until after everyone expected a sale to close, and long  
13 after they filed their Objection to the Claim. So the discovery is not meant to gather information  
14 (any relevant information will already be put to the Court in advance of a sale), it was meant just  
15 to burden and slow down collection. If discovery was actually necessary, Debtors would have  
16 demanded it long ago. So, even with a neutral third party acting as the Examiner, the Debtors are  
17 doing everything they can to sabotage and delay payment. That's why Adams has had to stay  
18 involved.

19 The work described in the attached invoices is almost entirely the cost of attempting to  
20 collect on an Order that Debtors refused to pay and took every step to avoid paying. The three  
21 major spikes in those fees were for the motion to collect the fees, the motion to appoint a new  
22 receiver, and then preparations for a foreclosure because none of the other methods were  
23 productive. By comparison, the fees for those 14 months that total \$63,738.50 (\$4,553/month)  
24 are not too far off from the fees for the approximately 65 preceding months, which totaled  
25 \$223,715.39 (\$3,441/month). That was the requested amount that the State Court approved in  
26 part in its February 21, 2017 Order. The slightly higher monthly average in the 14 months is  
27

1 more than reasonable especially when considering the timing of the trial, and this Court's  
2 relatively quick resolution of the relevant issues.

3 **B. POST-FEE ORDER BANKRUPTCY COURT FEES**

4 Following the Debtors' Petition with this Court on November 8, 2018, the total fees  
5 incurred for the interim period (November 2017 – May 2018) is \$98,430.50. As with the fees  
6 incurred for the state court action, the fees incurred for this bankruptcy proceeding are backed up  
7 and explained by the invoices provided as Exhibits to Mark Adams' Declaration and are further  
8 summarized below. Again, while the appointing Court would be in a better position to know the  
9 role of Adams and the value of his participation, because of the timing issues, this demand must  
10 now be reviewed by this Court. And separate from the DOT language and the requirements that  
11 the fees be paid, both California law and Bankruptcy laws require paying the fees incurred in this  
12 bankruptcy.

13 This Court will remember that Adams engaged in the Debtors' cash collateral motions  
14 quite successfully, which resulted in the acceptance of CRG's position – namely that rental  
15 income be used liberally to preserve the properties and upgrade the dangerous, nuisance  
16 conditions thereon. And as noted above, these were motions and declarations that lied to the  
17 Court about the status of the Certificate and DOT. Adams had to make extensive efforts to  
18 correct those false self-serving statements and to set the record straight. Monitoring the Debtor  
19 was/is necessary, as the City recently made clear with a tenant "paying" the estate in all cash  
20 (whether this matter was picked up in the M.O.R. is not known). Debtor also lost one of the  
21 properties to arson months before the Petition, after which a sex-for-rent exchange went badly.  
22 Obviously, this Debtor has to be monitored, and parties with an interest in the estate cannot  
23 ignore this proceeding.

24 The biggest month for billings in this matter was April 2018, which was the billed time  
25 for March. And much of that was the \$10,150 for Mark Adams. In reviewing Invoice #23162 for  
26 Mark Adams, the Court can review the 99 entries spread over 8 pages. Only one of those entries  
27 is over an hour, and that was for preparing for and attending the March 8, 2018 hearing. The rest

1 of the entries are for communications and preparations on the potential trustee appointment, the  
2 property manager appointment etc. And part of that work was in determining how best to involve  
3 and participate with the property manager, Examiner, the City, and the Debtor. Clearly, the most  
4 expensive billing party within CRG is motivated only to keep his finger on this proceeding's  
5 pulse, not to waste or bill unnecessary time.

6 The fees incurred during this bankruptcy period are entirely reasonable, in light of the  
7 major filings and hearings for this matter. As noted above in section III, Adams had to repeatedly  
8 defend his interest and the Certificate. He had to respond to (now two) separate 2004 demands  
9 and prepare the Proof of Claim along with the explanation of that claim. He had to repeatedly  
10 assert his position supporting the spending of funds on the violations, while protecting his own  
11 interest. Navigating this matter has not been simple and it has required close supervision. Adams  
12 has had to spend time on the phone with all parties, and make himself available for  
13 approximately 15 hearings. And while he did not appear in person to participate in the March 26,  
14 2018 Chapter 11 Trustee trial/mediation, he did have to prepare for that and participate via  
15 phone. All of these filings and appearances were to defend the very existence of CRG's hard-  
16 fought debt that the state court approved. The Debtor had the gall to attempt to delegitimize the  
17 state court's order in this Court, and so of course there were expenses in defending that.

### 18 **C. HOURLY RATES ARE REASONABLE**

19 Already the appointing state court has found the fees and the rates reasonable. In the  
20 February 21, 2017 Ruling, Judge Reinholtsen (noting the lack of opposition) "finds the hourly  
21 rates requested by Mark Adams and Andrew Adams are reasonable hourly rates." Ruling, page  
22 3, line 23-24. As envisioned by the Court on April 25, 2018, CRG's hourly fee rates are provided  
23 in this Response and the attached Declaration. Under the well-established lodestar method of  
24 awarding fees, the reviewing court must take into account the prevailing market hourly rate in  
25 awarding fees. Camacho v. Bridgeport Financial, Inc., 523 F.3d 973(9<sup>th</sup> Cir. 2008). "The  
26 'lodestar' is calculated by multiplying the number of hours the prevailing party reasonably  
27 expended on the litigation by a reasonable hourly rate." Camacho, citing Ferland v. Conrad

1 Credit Corp., 244 F.3d 1145 (9th Cir.2001), at 978. While the reviewing court may adjust the  
2 fees as it deems appropriate, for instance by deducting a certain percentage of the fees, it must  
3 first calculate an award of fees by calculating the ‘lodestar’ before departing from it. Camacho,  
4 citing Caudle v. Bristow Optical Co., Inc., 224 F.3d 1014, 1028 (9th Cir.2000), at 982. This also  
5 notably applies to fees incurred as a result of pursuing or defending those fees. Camacho, at 982-  
6 983.

7 All of CRG’s employees and independent contractors bill their time separately. Attached  
8 as **Exhibit 19** is the rate sheet of all of CRG’s employees and independent contractors. As  
9 explained below, all of those rates are either below or consistent with market rates.

10 **Mark Adams** – Mark has been an attorney for over 40 years, and holds a law degree  
11 from Georgetown Law School. Other receivers with those credentials and experience levels bill  
12 at \$600+, thus Adams’ rate of \$350/hour is reasonable.<sup>13</sup> Adams’ involvement in this matter, as  
13 laid out in his Declaration, was to protect the interest created by the February 21, 2017 Order,  
14 and he spent 147.68 hours on this matter since August 1, 2016.

15 **Andrew Adams** – Andrew is an eighth-year attorney, and has worked for CRG since  
16 passing the bar in 2010. He was educated at UC Berkeley and USD Law, and bills at \$330/hour.  
17 For the post-fee order period between August 1, 2016 – May 18, 2018, Andrew Adams spent  
18 approximately 156 hours on this matter in this Court and the state court.

19 **Hayden Adams** – Hayden Adams (no relation) is a new attorney who has worked for  
20 CRG since passing the Bar in 2017. For the post-fee order period between August 1, 2016 – May  
21 18, 2018, Hayden Adams spent 95 hours at \$225/hour.

22 **Other employees and independent contractors** – CRG’s other employees and  
23 independent contractors work at rates lower than that of Mark Adams and Andrew Adams, and  
24 their rates are likewise either lower than or consistent with market rates. For the post-fee order  
25 period between August 1, 2016 – May 18, 2018, all other CRG employees and independent  
26 contractors were responsible only for \$37,749.50 of the billings, or 23% of the billings. Mark,  
27

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<sup>13</sup> Mark Adams’ fees have risen to \$450/hour, but the \$350/hour continues to be billed for this case, because that was what Judge Reinholdtsen approved in 2011, and then again in the 2017 interim fee order.

1 Hayden and Andrew Adams were responsible for the other 77%, with the bulk of the non-lawyer  
2 billed time coming from paralegals preparing the filings. Clearly, the time was limited to only  
3 that which was essential to defend the claim in this proceeding.

4 The above hourly rates and the number of hours worked are arguably less than what  
5 would be reasonable, as this case has required substantial expertise in both real estate law and  
6 litigation generally. This Court does not need a reminder of how complex and needlessly  
7 litigious this case has become. The fees incurred in this matter have been kept relatively low,  
8 despite the variety of hearings, motions and negotiations that this case has required, by keeping  
9 the work at the lowest possible billing rates, and appearing only when absolutely necessary.

10 Generally, all legal work that did not require Mark Adams' attention and expertise was  
11 done by Andrew Adams due to his lower billing rate. And any work that could be done by staff  
12 instead of the attorneys was handled by staff. But as the case file on this matter will show –  
13 nothing is done simply in this matter. Even uncontroversial matters like paying the State Court's  
14 crystal clear fee order become opportunities for game-playing, and thus at least the junior  
15 attorney must involve himself in those matters.

#### 16 **D. TOTAL AMOUNTS ARE REASONABLE**

17 The spreadsheet in **Exhibit 17 and 18** breaks down the total monthly fees for each  
18 employee so that the Court can review it for reasonableness. By far the most expensive month  
19 was March 2018, with the billing reflected in the April 2018 numbers. That \$26,231 was  
20 unusually high in part because that month required Mark Adams' attention and work to the tune  
21 of \$10,150. Much of this was preparation for and attendance at hearings setting up the trial on  
22 the appointment of a Chapter 11 Trustee.

23 Along those lines, only twice has any CRG staff member attended a hearing in person.  
24 Once was the Mark Adams appearance mentioned above. Second was an April 11, 2018 hearing  
25 that Andrew Adams attended in person, in part to try and discuss in person with Debtor's counsel  
26 the ongoing issues. Of course, Debtor's counsel did not show up in person that day.

1 As shown by the spreadsheet and the invoices, the most recent hours are almost always  
2 billed by Hayden Adams, a new lawyer working as an independent contractor based on his  
3 bankruptcy experience and skill. Mark Adams, with his higher billing rate, is not performing the  
4 time-intensive tasks such as drafting pleadings or reviewing audio files. The bulk of the work is  
5 done at much lower rates by Hayden Adams and Andrew Adams. From those billing records, the  
6 Court can see that support staff almost never works on this case – with the exception being this  
7 current motion and preparation of documents for the demands that Debtor made (after previously  
8 withdrawing them).

9 CRG has not played a primary role or been as involved as the City in this bankruptcy  
10 action, and the billing records and amounts owed all reflect that. CRG has had to engage in this  
11 matter, mostly from afar, to protect its own Claim based on the State Court's February 21, 2017  
12 Order and to ensure that the buildings that were being liquidated at the outset of this matter did  
13 not in fact get liquidated and endanger CRG's Claim. Whether those buildings will be liquidated  
14 remains to be seen, but certainly based on the legal authority supporting CRG's Claim, the state  
15 court's previous approvals of the same exact type of claims, and the reasonable nature of the  
16 amount being requested in this present Motion, this Court should approve payment of the entire  
17 amount requested.

18 **E. PUBLIC POLICY REQUIRES THAT DEBTORS PAY THE FULL**  
19 **AMOUNT**

20 It bears noting again that much of this work done by CRG was necessitated by Debtors'  
21 incessant efforts to deny the existence and validity of the debt they owe. They not only fail to  
22 pay the amount awarded by the State Court, they go so far as to blatantly lie to this Court about  
23 the existence of the State Court's fee order. The only possible explanation is that they are  
24 attempting to use this bankruptcy proceeding as a means to escape the State Court's Order. Such  
25 an abuse of the legal system must not be permitted as a matter of public policy.

26 When reviewing these invoices and the amounts summarized, the Court should ask itself  
27 what else could have been done? What time billed was wasted or not necessary? If CRG only

1 attended two hearings in person, and called into all others (even calling into the two day trial for  
2 the appointment of a Chapter 11 Trustee), then it is hard to imagine what time spent is alleged to  
3 be wasted or unnecessary. But with this Response and the attached information, the parties and  
4 the Court certainly have the records and detail to review. Adams and CRG put these time records  
5 forward with the expectation that they will be scrutinized, and expect that they will stand up to  
6 that scrutiny.

## 7 8 **VII. CONCLUSION**

9 Thus, for the reasons laid out above, and detailed in the attached Declaration and  
10 exhibits, this Court should approve the full Claim offered by CRG to be paid out of the first sale.

11  
12 Dated: May 24, 2018

/s/ Andrew Adams

13 California Receivership Group  
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MARK S. ADAMS, SB#68300  
ANDREW F. ADAMS, SB#275109  
California Receivership Group  
2716 Ocean Park Boulevard, Suite 3010  
Santa Monica, CA 90405  
Tel.: (310) 471-8181  
Fax: (310) 471-8180  
madams@calreceivers.com  
Court-Appointed Receiver

**IN THE UNITED STATES BANKRUPTCY COURT**  
**NORTHERN DISTRICT OF CALIFORNIA**  
**SANTA ROSA DIVISION**

IN RE:

FLOYD E. SQUIRES, III and  
BETTY J. SQUIRES,  
Debtors.

Case No: 17-10828 WJL

Chapter 11

**DECLARATION OF MARK ADAMS IN  
SUPPORT OF CALIFORNIA  
RECEIVERSHIP GROUP'S RESPONSE TO  
DEBTORS' CLAIM OBJECTION**

Hearing:

Date: June 27, 2018

Time: 10:30 a.m.

Courtroom 220, Oakland

Hon. William J. Lafferty

I, MARK ADAMS, declare as follows:

1. The following is true and correct to the best of my knowledge. If called upon to do so, I could and would testify competently thereto in a court of law.

2. On May 4, 2018, Debtors Floyd Squires III, Betty J. Squires (Respondents in the State Court action) filed their Objection to Claim #57 that my office California Receivership Group ("CRG") filed. Their Objection is attached as **Exhibit 1**. I was the court-appointed Health and Safety Code Receiver for twenty-six properties ("Properties"), then six of those, all owned

by the Debtors Floyd and Betty Squires in Eureka, California in the matter *City of Eureka v. Floyd Squires et al.*, Case #DR110040. I was appointed on March 10, 2011, and a true and correct copy of the Appointment Order is attached as **Exhibit 2**. A list of the Properties is below:

- a. 609 Summer St. (APN 001-042-012)
- b. 119 W. 6th St.; 607 Summer St. (APN 001-042-013)
- c. 202 3rd St.; 315 C St. (APN 001-066-001)
- d. 216 3rd St. (APN 001-066-002)
- e. 205 4th St.; 317 C St.; 325 C St. (APN 001-066-007)
- f. 117-119 5th St. (APN 001-071-004)
- g. 211-219 5th St. (APN 001-103-004)
- h. 1637 3rd St. (APN 002-063-005)
- i. 2325 2nd St. (APN 002-123-004)
- j. 1410 Union St. (APN 004-033-003)
- k. 1233 A St. (APN 004-112-008)
- l. 241 Wabash Ave. (APN 004-196-007)
- m. 1803 C St. (APN 004-203-001)
- n. 833 H St (APN 005-012-005)
- o. 705 15th St. (APN 005-042-008)
- p. 1623 G St.; 1625 G St. (APN 005-053-006)
- q. 1635 G St. (APN 005-053-007)
- r. 1925 H St. (APN 005-075-009)
- s. 1429 Sunny Ave. (APN 006-191-015)
- t. 2245 Broadway (APN 008-011-007)
- u. 2235 Broadway (APN 008-011-010)
- v. 204 W. Hawthorne St. (APN 009-122-005)
- w. 2941 California St.; 2969 California St. (APN 010-061-010)

1           x. 2927 California St. (APN 010-061-011)

2           y. 2535 L St. (APN 011-153-005)

3           z. 2445 Russ St. (APN 013-171-010).

4           3.       The City of Eureka (“The City”) petitioned for my appointment due to the  
5 perpetually substandard and unsafe conditions. On January 18, 2011, the City filed a complaint  
6 with various allegations, and requested the emergency appointment of a receiver. That  
7 Application requested that the Court appoint me, Mark S. Adams, as receiver under Health and  
8 Safety Code §17980.7(c). The Court denied the request on February 3, 2011, and then held a  
9 hearing on February 28, 2011 on the same issue.

10          4.       The Properties that Debtors were leasing to the general public and collecting rent  
11 on were unsafe, and the Superior Court made formal findings twice on those nuisance conditions.  
12 After my appointment on March 10, 2011, I proceeded to follow the directions of the appointing  
13 State Court to inspect the properties and assess what work was necessary to abate the health and  
14 safety code violations and develop a rehabilitation plan.

15          5.       The Debtors fought me at every step of the way, immediately showing outright  
16 hostility and bad faith. Initially, the March 10, 2011 Appointment Order was stayed on appeal,  
17 then on October 24, 2011 a more limited Appointment Order was issued, this time over six of the  
18 original twenty-six properties that were thought to constitute the most substantial endangerment  
19 to the tenants and the surrounding community. This Order, which is attached as **Exhibit 3**, was  
20 also stayed on appeal.

21          6.       As the City informed the appointing State Court, when it initially petitioned for a  
22 Receiver back in 2011, the Debtors have a history of using retaliatory tactics against those that  
23 have sought to expose the lack of habitability of their Properties and their failure to make the  
24 necessary repairs. I am no stranger to their ire as, on October 19, 2011, the Debtors served and  
25 filed a Summons and Complaint in the Humboldt County Superior Court against me, the General  
26 Counsel of my organization, Andrew Adams, and California Receivership Group for various tort  
27

1 claims, including trespass and invasion of privacy ("Complaint").

2 7. The Complaint arose after I had dispatched Andrew Adams from my office to  
3 begin discussions with tenants and to inform them and surrounding neighbors of the Ruling to  
4 Appoint a Receiver, and he did so on October 5 and 6, 2011. Debtors and State Court  
5 Respondents Floyd Squires III, Betty J. Squires, along with five of their tenants, filed a  
6 complaint alleging trespass and Intentional Invasion of Privacy against me, Andrew Adams, and  
7 CRG LLC on October 19, 2011, fourteen days after the supposed trespass took place, and the  
8 same day that Debtors filed an Objection to my appointment as the Receiver. The second Order  
9 appointing me as Receiver was eventually signed October 24, 2011.

10 8. Debtors' Complaint was put before a jury at trial in July 2016 and the jurors  
11 found for my organization and I on all claims. Nevertheless, we have outstanding fees and costs  
12 from this litigation which thus far, the Debtors have declined to pay. Even after the appointing  
13 Judge, Hon. Dale Reinholtsen, issued the Order directing that they pay the amount of  
14 \$158,107.36, a copy of that Order is attached as **Exhibit 4**.

15 9. I requested the payment of fees multiple times in State Court before a September  
16 4, 2012 Tentative Ruling granted the fees incurred during the two appointments. Yet, the  
17 Tentative also denied without prejudice all other fees, asking that they be reviewed after the trial  
18 in Debtors' Complaint was completed.

19 10. On June 19, 2013, I submitted a Third Report, requesting that the State Court  
20 consider the equities, and award at least some of the over \$80,000 of fees and costs then owed.  
21 That Report stated "I am a professional receiver without a personal interest in the matters  
22 surrounding this litigation. I ask that I be paid for the time I've billed and money I've advanced  
23 to this case in reliance on the Court's previous orders."

24 11. On September 13, 2013, the State Court issued a Ruling denying the request for  
25 fees, except for the fees and costs incurred during the two periods in between the appointment  
26 order and the entry of the undertaking staying those orders. The defense fees were denied  
27

1 without prejudice specifically to allow for the tort trial to proceed. On the same day, after I  
2 withdrew my name from consideration due to the ongoing lawsuit against me, the State Court  
3 appointed a new receiver, Jeffrey Smith ("Smith"). Smith was given the same direction as I, to  
4 inspect the Properties and submit a report on the conditions found. Following this, despite the  
5 substantial amount of fees owed to my office from our work on this case, there was a period  
6 where we were not served with the pleadings, and not able to keep abreast of new developments  
7 until we petitioned the State Court to include us in the service. Once the matter was completed, I  
8 planned to return to the Court to recover these fees. At this time, I was still expending resources  
9 on defending myself against the trespass claims in the Debtors' Complaint against myself and  
10 my office.

11 12. On January 9, 2014, Judge Dale A. Reinholtsen issued an Order following the  
12 September 13, 2013 Ruling, finding that Floyd Squires, Floyd E. Squires III, Betty J. Squires, FB  
13 Squires Family Trust, and Betty J's Building, Inc. were jointly and severally liable for the  
14 \$15,317 in then-awarded fees and costs to the Receiver. The Order also authorized Adams to  
15 issue a super-priority Receiver's Certificate in that amount, to be secured by a deed of trust on all  
16 26 properties. Attached as **Exhibit 9** is the January 21, 2014 Receiver's Certificate No. 1 and as  
17 **Exhibit 10** the January 21, 2014 Deed of Trust. Both documents were recorded in Humboldt  
18 County on January 23, 2014 by my office as a method of recuperating our fees and costs.

19 13. Debtors filed a February 21, 2014 Motion for Reconsideration in State Court,  
20 which was heard on March 3, 2014 and denied on September 8, 2014.

21 14. On June 19, 2014, I filed an Application requesting that the State Court authorize  
22 my office to hire trial counsel to defend our work as the Receiver under California Rules of  
23 Court 3.1180. On September 8, 2014, the Court denied without prejudice the request, so as to let  
24 the trial proceed and come to a result before authorizing counsel or approving the payment.

25 15. Following the jury trial in the Debtors' Complaint against myself and my office,  
26 we filed an August 10, 2016 Motion for Interim Fee Order ("Motion") (attached as **Exhibit 11**)  
27

1 in the receivership case requesting \$223,715.39 in fees and costs incurred both from my duties as  
2 receiver, and for our legal fees defending against the rejected claims that went to trial. At the  
3 time of the Motion, the fees and costs were calculated from the March 10, 2011 Appointment  
4 Order through to July 31, 2016. The Debtors filed an Opposition to our Motion on September 6,  
5 2016 (attached as **Exhibit 12**) where they took issue with pre-receivership work and argued that  
6 my office was not entitled to legal fees incurred in defending the Complaint that they filed  
7 against us, even though we were the Court-Appointed Receiver during the time that the alleged  
8 wrongdoing occurred, and despite the fact that a jury had found that we had not actually done  
9 anything wrong. We then filed a Reply to their Opposition on September 9, 2016 (attached as  
10 **Exhibit 13**) where we argued that pre-appointment time and costs are quite common and that our  
11 defense costs have to be paid.

12 16. The hearing was held on September 9, 2016, and on February 21, 2017, the  
13 Superior Court issued an Order authorizing \$158,107.36 in fees and costs (attached as **Exhibit**  
14 **4**). The total approved removed all pre-appointment fees and costs, and approved a limited  
15 portion of the \$223,715.39 that was owed. This amount, along with the interest accrued through  
16 the claim date, is the secured debt referenced in Claim #57 in this Bankruptcy case. My office  
17 issued a Receiver's Certificate No. 2 to reflect the increased amount, a copy of which is attached  
18 as **Exhibit 6**, and amended the Deed of Trust (attached as **Exhibit 7**). Both the Deed of Trust and  
19 Amendment to Deed of Trust issued by my office and recorded in Humboldt County  
20 incorporated by reference an October 17, 1961 Fictitious Deed of Trust attached as **Exhibit 8**.

21 17. Despite numerous attempts by my office to collect these fees and costs, the  
22 Debtors have made no effort to pay us. My office utilized multiple collection efforts to no avail;  
23 including letters requesting payment, Abstracts of Judgment, the Receiver's Certificates recorded  
24 per the terms of the January 9, 2014 Order and the February 21, 2017 Order. On July 28, 2017,  
25 we even filed a Motion requesting the appointment of a receiver to collect on our debt, which  
26 was denied by the Superior Court on November 15, 2017. Additionally, we attempted a  
27

1 foreclosure sale on the Receiver's Certificate and Deed of Trust, which was set for November  
2 27, 2017 (attached as **Exhibit 5**). Yet, the Bankruptcy Petition filed in this Court on November 8,  
3 2017, which commenced the current matter, ultimately halted our foreclosure and other  
4 collection efforts. Thus, we bring our case to this Court and pray for relief.

5 18. After the July 31, 2016 cut-off date for fees that were included in that August 10,  
6 2016 Motion, there have been substantial fees incurred. The total amount owed as of May 18,  
7 2018 is \$162,169. That is broken up into two separate categories – the work done in the state  
8 court, prior to the Petition being filed, and work done in this matter.

9 19. All told, there is \$63,738.50 for fees incurred from August 1, 2016 - October 31,  
10 2017 for the State Court Action. Those totals are summarized in the Excel spreadsheet printouts  
11 attached as **Exhibits 17 and 18**. These spreadsheets break down the fees incurred by employee  
12 both by year and by month. Attached as **Exhibit 19** is a true and correct copy of my office's rate  
13 sheet showing each employee's current billing rate. For all invoices prior to the filing of this  
14 bankruptcy Petition, CRG billed \$63,738.50. That was time spent on collections, including the  
15 motion to appoint a receiver, and the attempted foreclosure. Again, no effort was made to pay the  
16 fees listed in the February 21, 2017 Order, and so it had to be actively enforced.

17 20. For all time spent in this matter, from November 1, 2017 - May 18, 2018, there is  
18 another \$98,430.50 owed. As can be seen in the attached Excel printout in **Exhibits 17 and 18**,  
19 work billed in that time period was substantial. The month with the least billing, February 2018  
20 (listed as the "Mar 18" billing) was \$10,966.50 – which was higher than the most billed for any  
21 of the state court work during a one month period. The bulk of this work was preparing multiple  
22 filings to defend the validity and existence of the state court Order and the Certificate it  
23 authorizes. I made one appearance in person in Oakland, and Andrew Adams from my office  
24 also only made one in person appearance. Both of those personal appearances were made in the  
25 interest of discussing with the parties and attempting to resolve the matter, although neither was  
26 productive.

1           21.     Having directed all of the work from CRG on this matter, I can state  
2 unequivocally that I know that active participation in this matter was necessary from the outset.  
3 Having had to defend a lawsuit in State Court, which went to a jury trial (a fact that is almost  
4 unbelievable to me, and something that has never happened in my 18+ years of acting as a  
5 receiver in over 190 different cases), It is clear to me that Debtors would do anything to avoid  
6 paying the Judgment issued against them.

7           22.     In my experience as a court-appointed agent, I realize that I often step into  
8 contentious and highly-charged matters. As Receivership is an extreme remedy to abating health  
9 and safety code violations, if there was any other option then I would not be have been involved  
10 or appointed. So I am used to dealing with aggressive or angry owners. But Floyd Squires is the  
11 most aggressive and unscrupulous property owner I have ever come across in my time as a  
12 Receiver. I have dealt with Wall Street firms that refuse to fix habitability problems, so long as  
13 the tenants are paying rent. I have seen rat bites on children due to a property owner's  
14 negligence, and leaking sewage underneath apartment buildings. Yet, Floyd Squires is the worst  
15 slumlord I have dealt with in my career, and likely the most stubborn and aggressive property  
16 owner.

17           23.     I say this not to reaffirm that Squires is a slumlord, because even many of the  
18 local news outlets freely refer to him that way. I say it because it contextualizes why the steadfast  
19 defense of the Order and Receiver's Certificate was necessary. Without that defense, and most  
20 notably calling out every time Debtors attempted to denigrate or call into question the validity of  
21 that Order/Certificate, then Debtors would have presented a wholly different story than was  
22 presented. I know that the loud and steadfast defense of my interest in the bankruptcy estate was  
23 necessary because I saw the repeated challenges that Debtor made to that claim.

24           24.     Attached to this Declaration are copies of our fees and costs from after those  
25 claimed in our August 10, 2016 Motion for Interim Fee Order ("Motion"), which were granted in  
26 the February 21, 2017 Order. In our Motion we claimed fees and costs from our initial  
27



1 Appointment in March 2011 through to July 31, 2016. As the prior Motion occurred over a year  
2 and a half ago, it did not consider the costs we incurred in our efforts to collect on the succeeding  
3 judgment and the fees we've had to advance for our work to represent our claim as a Creditor in  
4 this Bankruptcy case. Attached as **Exhibit 14** are copies of our invoices from September through  
5 December 2016. Attached as **Exhibit 15** are copies of our invoices from January through  
6 December 2017. Attached as **Exhibit 16** are our invoices from January through May 8, 2018.  
7 Additionally, to assist with the Court's review of our fees and costs we have provided the  
8 following spreadsheets that show the fees and costs for each employee from the entire time  
9 period documented in our invoices from September 2016 to May 2018. **Exhibit 17** shows each  
10 employee's time by month and **Exhibit 18** shows each employee's time by year.

11 25. I am familiar with the receivership fees and costs in similar receiverships and  
12 associated bankruptcies. In my experience, the \$350/hour billed for this work is well below the  
13 market rates, and reflects the 2011 rates. Those have risen since 2011. The \$200-330/hour for  
14 Andrew Adams is well below the standard hourly rate for an attorney with over eight years of  
15 experience.

16 26. I have reviewed the attached billings and am familiar with the work described  
17 therein. All work billed by CRG was necessary for the receivership, then collection of that Order.

18 27. I am familiar with the work undertaken and know that the time spent, and projects  
19 worked on were necessary to this receivership and defense of the Receivership Certificate. I have  
20 reviewed the attached billings and am familiar with the work described therein. All work billed  
21 by CRG was necessary to collect on, and protect CRG's claim. I am also familiar with the billing  
22 rates of the attorneys and staff involved and know them to be reasonable billing rates.

23 28. All work undertaken that is addressed in this Response, this Declaration, and the  
24 attached Exhibits was done at the cheapest possible billing rate. Where possible, projects were  
25 delegated to non-legal staff, and all legal work was done by the cheapest possible attorney.  
26 Reviewing the individual invoices shows that.

1           29.     I declare under penalty of perjury under the laws of the State of California that the  
2 foregoing is true and correct.

3  
4           Executed this 25th day of May 2018, at Santa Monica, California.

5  
6                                 /s/ Mark Adams  
7                                 Mark Adams